

Country: Indonesia

Date: 6 October 1953

Subject: Developments in Sumatra
Affecting the Petroleum
Industry

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1. "Political Developments - General: The outstanding developments in Indonesia, and one which could lead to serious consequences, not only for the Indonesian Government, but also for petroleum companies, if not promptly controlled, was the concerted outbreak of widespread and serious disturbances in Atjeh (North Sumatra) in the last half of September.
2. "Atjeh was one of the last parts of the Indies to be brought under Dutch control, but only after a series of wars which lasted from 1873 to 1904, and which taxed the energies and resources of the Dutch to such extent that the development of other outlying territories had to be postponed for many years. Even at the last, the Dutch control in Atjeh remained less firm than in other parts of the Indies and they were obliged at all times to maintain strong military garrisons at strategic points. Following the Japanese capitulation, the Allied Forces did not occupy Atjeh and, although Atjeh became a part of the Republic, when Indonesia achieved independence, and had representation in Parliament, the Achinese as a whole never did fully accept the authority of the Central Government and tended to run their affairs to suit themselves, as if in an autonomous state. This last has been one reason for the delay regarding the final disposition of the North Sumatra oil fields of BPM in southern Atjeh.
3. "The Indonesian Government is reported to be taking vigorous steps to cope with the uprisings in Atjeh, both by military and other measures. It is important that these steps will soon be successful, as a long series of military operations could place a severe strain on the Indonesian economy at this stage and probably limit the success of the Indonesians in bringing law and order in Java, not to mention South Celebes, which is also a trouble spot.
4. "Company Problems: Labor Relations - Caltex Pacific, in a meeting with Central Mediation Board's Inquiry Committee, agreed to submit new proposals with regard to PERBUM's demands, taking also into consideration the demand on long leave. The new proposals were forwarded in the beginning of September.

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5. "Exchange License Negotiations: Active negotiations are being carried on with the Exchange Control for renewal of the Caltex Pacific's Exchange License, certain provisions of which expire 31 Dec 53.
6. "A letter was submitted to the Monetary Board pressing for a decision by mid-September 1953 and recommending an extension of not less than six years of Caltex Pacific's Exchange License, along the same lines of the present agreement. A reply to this letter received on September 25 from the Monetary Board contains certain objectionable stipulations and other provisions which require further clarification. However, it is felt that the Exchange Control's proposals represent a serious effort on their part to arrive at a workable arrangement for both parties. A detailed study is now under way.
7. "Tax Abatement: The Indonesian Government has entered into a firm commitment with Standard Vacuum regarding a tax reduction program which should, in effect, arrive at an overall 50/50 profit distribution. It was understood that draft directives would be issued to accomplish the same result for BPM and Caltex Pacific, but these have not yet been forthcoming."

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